

The complaint

Mr K says Fairscore Ltd, trading as Updraft, irresponsibly lent to him.

What happened

Mr K took out two loans from Updraft. The first, on 14 August 2023, was for £8,000 over 25 months with monthly repayments of £435.33. The second, on 17 April 2024, was for £17,500 over 32 months with monthly repayments of £762.04.

Mr K says he was heavily reliant on credit at the time. He had a good income so this should not have been the case. The fact he was borrowing so much should have raised alarm bells. He was borrowing to pay interest on loans and then for spread betting/gambling, which was visible on his bank statements. With each new loan there was no reduction in his existing debt.

Updraft says it carried out adequate checks that showed the loans were affordable for Mr K. He told it loan 1 was to repay credit cards and there was subsequently a 75% reduction in his revolving debt, and loan 2 was to repay other loans he had.

Our investigator did not uphold Mr K's complaint. They said the lender's checks were proportionate and showed Mr K would be able to sustainably repay both loans.

Mr K disagreed and asked for an ombudsman's review.

I reached a different conclusion to the investigator, so I issued a provisional decision and asked both parties to send in any additional comments. An extract follows and forms part of this final decision.

Extract from my provisional decision

Updraft has provided evidence to show that it asked for some information from Mr K before giving the loan. It asked for his monthly income, his employment status and his housing costs. It completed an income verification check using open banking data and used national statistics to estimate his living costs. It carried out credit checks to understand his credit history and his existing credit commitments. Based on the results of these checks Updraft thought it was fair to lend to Mr K as he had monthly disposable income of £1,512.60 and £1,565.49 at the time of loans 1 and 2 respectively. And so could afford to take on these loan repayments.

Loan 1

I am satisfied these checks were proportionate for loan 1 and that Updraft made a fair lending decision based on the information it gathered. I'll explain why.

In August 2023 Updraft learnt Mr K's verified net monthly income was £3,587.31, it estimated his housing and living costs were £703 and the credit check showed he was paying £1,371.71 each month on his existing debt. There was no recent adverse data on his

file, he was up-to-date on his active accounts. His stated loan purpose was to repay credit card debt so he would be freeing up additional monthly disposable income. This was Mr K's first loan with Updraft – he did not have a history of borrowing to consolidate but failing to do so, and having to return for more funds. It was reasonable for Updraft to believe the loan would be used for its stated purpose.

In these circumstances I find it was fair for Updraft to give loan 1 to Mr K. I note Mr K referenced another case against Updraft that this service considered. We review each complaint on its individual merits and there can be a number of reasons that what seem to be similar cases can have different outcomes. For example, in the case he highlighted the complainant's debt profile was different; their disposable income was much lower; and the portion of income needed to meet credit commitments was higher than his at the time of loan 1.

Loan 2

I do not think the same level of checks were proportionate for loan 2. I accept Mr K's indebtedness had fallen since his first application from £33,857 to £23,724. But loan 2 was over double the value of loan 1; the monthly repayments were a significantly higher percentage of his monthly income; and critically, Mr K had already taken out loans for over £10,000 in the previous three months. It was also the second time Mr K was asking for a loan to repay other debt. So, I think Updraft needed to carry out a fuller financial review to get the assurances it needed that giving a second loan to Mr K would not cause him any adverse financial consequences. And that it was a sustainably affordable part of his consolidation journey, as it argues.

In instances like this we look at bank statements from the three months prior to application. I am not saying Updraft had to do exactly this, though I note it used open banking data to verify Mr K's income so it could have extracted his outgoings too. We use this approach as it is a reliable way to recreate what better checks would most likely have shown Updraft.

Had Updraft done this I do not think it, as a responsible lender, would have lent to Mr K. It would have seen that he was transferring large amounts of money between his accounts and ultimately spending thousands of pounds a month at a trading platform known for spread betting. Given this, I think it would have realised that lending more to Mr K risked him not being able to make his repayments sustainably i.e. he would either have to borrow to repay, or suffering some other financial harm such as using the funds to gamble.

It follows I think Updraft was wrong to give loan 2 to Mr K.

I then set out what Updraft would need to do to put things right with regards to loan 2.

Updraft did not respond. Mr K accepted the provisional decision, but asked for any negative credit reporting for loan 1 to be removed from the date loan 2 was issued. This was because loan 2 impacted his ability to make his contractual repayments for loan 1.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. I used this approach to decide Mr K's complaint.

As neither party made any comments about my findings or the final outcome I have no reason to change them.

With regards redress, Mr K asked that any adverse data relating to loan 1, that was reported after loan 2 was approved, be removed from his file - as well as any adverse data relating to loan 2. I think this is a reasonable request and I have instructed Updraft to do this in the redress section below.

I do not know the current status of the loans, but I want to ensure that Mr K understands that if he enters into a payment plan(s) this is an informal arrangement that does not vary the terms of the original credit agreement(s). This means if he fails to adhere to the plan(s), Updraft would be entitled to revert to the terms of the original agreement(s) and take further action as appropriate. This could include reporting any new adverse data to the credit reference agencies.

Putting things right

I think it's fair and reasonable for Mr K to repay the capital that he borrowed for loan 2. But he has paid interest and charges on a loan that shouldn't have been provided to him. Updraft must put this right.

It should:

- Refund all interest and charges Mr K paid on loan 2 and remove all future interest and charges.
- If reworking Mr K's second loan account in this way results in him having effectively made payments above the original capital borrowed, then Updraft should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr K's second loan account results in there being an outstanding capital balance Updraft must try to agree an affordable payment plan with Mr K.
- Remove any adverse information recorded on Mr K's credit file in relation to loan 2 once any outstanding capital balance has been repaid. In addition, remove any adverse information in relation to loan 1 that was recorded after 17 April 2024.

*HM Revenue & Customs requires Updraft to deduct tax from this interest. Updraft should give Mr K a certificate showing how much tax it's deducted, if he asks for one.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr K in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

I am upholding Mr K's complaint in part, with regards to loan 2.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 February 2026.

Rebecca Connelley
Ombudsman